

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY AVISTA)
CORPORATION DBA AVISTA UTILITIES OF) **CASE NO. AVU-G-03-2**
ITS 2003 NATURAL GAS INTEGRATED)
RESOURCE PLAN (IRP).) **ORDER NO. 29557**
_____))
_____)

On December 30, 2003, Avista Corporation, dba Avista Utilities (Avista; Company) filed its year 2003 natural gas Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission). The Commission has completed its review of the Company's 2003 Natural Gas Integrated Resource Plan and has considered the filings of record in Case No. AVU-G-03-2, including the comments of the Commission Staff (Staff). By this Order, the Commission accepts the filing and acknowledges that it satisfies the Commission's requirements as set forth in Order No. 25342, Case No. GNR-G-93-2 (reference PURPA section 303(b)(3), Energy Policy Act of 1992). The Company is apprised that the Commission's acknowledgement is not to be interpreted as approval, or as judgment of prudence of the IRP or the prudence of following or not following the plan. The Commission appreciates the Company's efforts and hopes that preparation of the document proved to be of operational benefit to the Company.

The Commission notes that Staff provided specific comments regarding the Company's Idaho tariff Schedule 163 natural gas Benchmark Incentive Mechanism. The Benchmark Mechanism is a tariff program pursuant to which Avista Energy manages all of Avista Utilities' natural gas marketing and storage facilities. The program establishes the cost of natural gas for the states of Washington, Idaho and Oregon. It prices natural gas at the first of the month price based on an artificial weighting of the three supply basins serving the Northwest regardless of actual purchase price or delivery location. The Benchmark Incentive Mechanism also includes storage management, a hedging program and sharing of capacity releases between Avista Energy and Avista Utilities for all three states.

Staff notes that on February 13, 2004, the Washington Utilities and Transportation Commission (WUTC) in Docket No. UG-021584 found that Avista's Benchmark Mechanism had not provided adequate safeguards in affiliate transactions between Avista Utilities and Avista

Energy nor were there significant measurable benefits to ratepayers. The Washington Commission directed the Company to file a plan for transitioning from purchasing natural gas through Avista Energy and the Benchmark Program to the direct purchase of natural gas by Avista Utilities. The transition plan submitted by Avista to the WUTC calls for Avista Utilities to contract with Avista Energy to purchase natural gas based on Avista Utilities' purchase decisions until March 2005. Avista Utilities proposes to acquire and obtain additional personnel and return to internally purchasing natural gas for all of its natural gas customers in Oregon and Idaho effective April 1, 2005.

Pursuant to Commission Order in Case No. AVU-G-01-3, the Company is to file an analysis of the Benchmark Program detailing the costs and benefits to customers, to the Company and to Avista Energy seven (7) months (i.e., on or before August 31, 2004) prior to the contract's termination on March 31, 2005. Order No. 28941 at 7. Staff will review the required filing and continue to monitor the Company's transition actions closely.

Staff notes that Avista's 2003 natural gas IRP only briefly mentions the then pending actions of the Washington Commission in Appendix G, under evaluation of the previous plan, supply/capacity. Staff believes that the WUTC's rejection of the Benchmark Incentive Mechanism is a significant event that should be addressed in a supplemental filing associated with the 2003 IRP. Staff believes that Idaho customers have benefited from some of the Benchmark components. Staff is concerned that with the loss of the Benchmark Mechanism, a beneficial program may be lost and additional costs may be shifted to Idaho. Staff recommends that the Company be directed to provide Staff copies of all Benchmark Mechanism transition documents submitted in the Company's other jurisdictional states.

The Commission is concerned that the Washington Commission's decision to eliminate the Benchmark Incentive Mechanism may result in increased costs to Idaho. We find it reasonable to require Avista to supply Staff with copies of all Benchmark transition documents submitted in the Company's other jurisdictional states. We also find it reasonable to require the Company in its August 31, 2004 Schedule 163 Benchmark Program status report filing (Case No. AVU-G-01-3) to address the WUTC Benchmark Incentive Mechanism order, the Company's transition plan, and the related regulatory consequences and economic and operational ramifications in Idaho of terminating the Benchmark Program.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Avista Corp dba Avista Utilities, a natural gas utility, and the issues raised in Case No. AVU-G-03-2 pursuant to the jurisdiction granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described above, the Commission by this Order does hereby acknowledge and accept Avista's Natural Gas 2003 Integrated Resource plan filing.

IT IS FURTHER ORDERED and Avista is directed to provide Commission Staff with copies of all Benchmark transition documents submitted in the Company's other jurisdictional states.

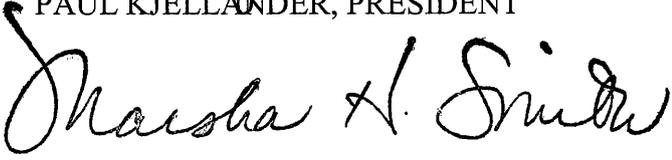
IT IS FURTHER ORDERED and the Company is directed in its August 31, 2004 Schedule 163 Benchmark Program status report filing (Case No. AVU-G-01-3) to address the WUTC Benchmark Incentive Mechanism order, the Company's transition plan, and the related regulatory consequences and economic and operational ramifications in Idaho of terminating the Benchmark Program.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th
day of July 2004.



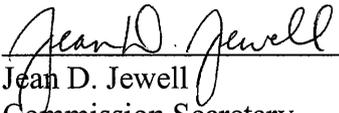
PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER

Out of the Office on this Date
DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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